

EVALUATION AND FITNESS CHECK (FC) ROADMAP			
TITLE OF THE EVALUATION	Evaluation on the support to SME competitiveness in enlargement and neighbourhood countries		
LEAD DG RESPONSIBLE UNIT	DG NEAR A3 AP NUMBER: 2016/NEAR/003	DATE OF THIS ROADMAP	01 / 2016
TYPE OF EVALUATION	Evaluation Ex-post Mixed	PLANNED START DATE	Q1 / 2016
		PLANNED COMPLETION DATE	Q4 / 2016
		PLANNING CALENDAR	<a href="http://ec.europa.eu/smart-regulation/evaluation/index_en.htm">http://ec.europa.eu/smart-regulation/evaluation/index_en.htm</a>
<b>This indicative roadmap is provided for information purposes only and is subject to change.</b>			

A. Purpose
(A.1) Purpose
<p>The evaluation will assess the performance, good examples and lessons learned from the past assistance in the area of Small and Medium Sized Enterprises (SME) competitiveness in the enlargement and neighbourhood countries<sup>1</sup>. It should serve to provide evidence and advice in designing future EU assistance.</p> <p>More specifically, it will assess and map the most recent IPA<sup>2</sup> (I and II), ENPI/ENI<sup>3</sup> interventions in the period 2010-ongoing, as well as Multicountry projects and initiatives, which targeted, both directly and indirectly, overall competitiveness of SMEs in IPA and ENI regions. It will evaluate past and on-going projects/programmes supporting, both directly and indirectly SMEs development, exploring synergies of interventions, looking at dimensions such as business environment, access to finance, access to relevant business development services, integration in global value chains and innovation. It will analyse selected case studies and/or "success stories" of SME investments &amp; strategies which comply with environmental regulations and promote energy efficient technologies and/or aim at increasing the perception and importance of gender dimension, namely on entrepreneurship and Research &amp; Development (R&amp;D).</p> <p>The outputs of the evaluation will be used to:</p> <ul style="list-style-type: none"> <li>• Provide recommendations on DG NEAR's policy approach on issues of innovation and SME competitiveness;</li> <li>• Contribute to the design of future competitiveness and private sector development programmes in order to strengthen economic integration between EU, IPA and ENI partner countries;</li> <li>• Provide recommendations on the improvement of the monitoring and evaluation frameworks, namely in regards to the appropriate indicators that should be embedded in the project cycle and the appropriate project-level data collection mechanisms that would generate the data necessary to populate the indicators;</li> <li>• Outline corrective measures, if applicable, on the way in which IPA and ENI are implemented and monitored.</li> <li>• Feeding the overall evaluation of IPA II<sup>4</sup> and ENI<sup>5</sup> in the framework of their mid-term review, to be finalised in 2017.</li> </ul>
(A.2) Justification

<sup>1</sup> The full list of possible projects might also include Croatia IPA projects

<sup>2</sup> Instrument for Pre-Accession Assistance 2007-2013, [http://ec.europa.eu/enlargement/instruments/overview/index\\_en.htm](http://ec.europa.eu/enlargement/instruments/overview/index_en.htm)

<sup>3</sup> European Neighbourhood and Partnership Instrument 2007-2013, [https://ec.europa.eu/europeaid/funding/european-neighbourhood-and-partnership-instrument-enpi\\_en](https://ec.europa.eu/europeaid/funding/european-neighbourhood-and-partnership-instrument-enpi_en) / European Neighbourhood Instrument 2014-2020, [http://eeas.europa.eu/enp/how-is-it-financed/index\\_en.htm](http://eeas.europa.eu/enp/how-is-it-financed/index_en.htm)

<sup>4</sup> [http://ec.europa.eu/smart-regulation/roadmaps/docs/2017\\_near\\_001\\_evaluation\\_ipa2\\_en.pdf](http://ec.europa.eu/smart-regulation/roadmaps/docs/2017_near_001_evaluation_ipa2_en.pdf)

<sup>5</sup> [http://ec.europa.eu/smart-regulation/roadmaps/docs/2017\\_near\\_002\\_evaluation\\_eni\\_en.pdf](http://ec.europa.eu/smart-regulation/roadmaps/docs/2017_near_002_evaluation_eni_en.pdf)

Both the Enlargement and Neighbourhood policies support stronger and more inclusive economic development of partner countries. In this context, an important priority is the support to SMEs which are important drivers of innovation and job creation. The European Commission runs a number of programmes/projects aimed at promoting a business-friendly environment for SMEs whilst helping SMEs to access credit and Business Development services (BDS), find international partners, access technology, and developing research partners. This evaluation, mostly with a backward looking perspective, is foreseen in the DG NEAR multi-annual evaluation plan and will feed into the mid-term review of the Union's instruments for financing external actions planned for 2017.

## B. Content and subject of the evaluation

### (B.1) Subject area

Small companies face multiple challenges: they struggle to grow-up, to innovate, to access financial and non-financial services, to integrate in global value chains and, to internationalise their business even with an open and fair trade framework in place. Going international may help increasing SMEs' performance, enhance competitiveness, and reinforce sustainable growth.

The European Commission's priority is to ensure that enterprises can rely on a business-friendly environment and make the most out of the growing markets outside the EU. Indeed, developing and emerging markets are expected to account for 60% of world GDP by 2030 and given increased market integration, SMEs can play an important role in global value chains.

To date, Enlargement countries, and especially the Western Balkan ones, specifically face major structural economic challenges of high unemployment<sup>6</sup>, low foreign direct investment and low levels of competitiveness.

Across both the Eastern and the Southern Neighbourhoods, the economic environment has remained challenging. Economic growth in most partner countries remained weak, as a result not only of the recession period and of high political and security instability, but also of the lack of progress on structural reform, insufficient export diversification and reduced access to finance.

### (B.2) Original objectives of the intervention

In the European Union, the Small Business Act for Europe (SBA)<sup>7</sup> adopted in 2008 put in place an SMEs-focused competitive agenda for the European Union and its Member States based on the principle "Think Small First"<sup>8</sup>. EU support for SMEs is also an important feature of the EU development policy. This includes: creating an enabling environment for SMEs, strengthening specific policies (e.g. trade, innovation, access to finance and competitiveness), capacity building of business intermediary organisations, chambers of commerce and business development service providers, and providing support benefitting individual enterprises.

The importance of improving the business environment, promoting a competitive local private sector and providing better and more targeted aid were reiterated in 2011 in the Agenda for Change<sup>9</sup>.

In 2014, the European Commission published its Communication to Council and Parliament on A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries<sup>10</sup>, thus highlighting the importance of the Private Sector in the sustainable development of countries and presenting the EU strategic framework for strengthening the Private Sector role.

IPA I Council regulation<sup>11</sup> (No 1085/2006) covering the period 2007-2013 indicated as the overall objective "the progressive alignment with standards and policies of the EU, including where appropriate the *acquis communautaire*, with a view to membership." Competitiveness is one of the nine areas for which EC assistance is provided. In order to meet the very broad objectives of the IPA I, Multi-Annual Indicative Financial Frameworks (MIFFs) and Multi-Annual Indicative Planning documents (MIPDs)<sup>12</sup> were elaborated identifying country specific objectives and results.

In the Neighbourhood regions, the EU has supported inclusive economic development, and in particular private sector development, and employment, through SME development, with a focus on both macro, meso and micro level interventions, infrastructure development, support for job training and entrepreneurship through a range of policy initiatives, and financial support. The main relevant funds (from 2007 ongoing) include those from geographical instruments and programmes, i.e. the European Development Fund (EDF)<sup>13</sup>, the European Neighbourhood and Partnership Instrument (ENPI), the Development Cooperation Instrument (DCI)<sup>14</sup>, though EDF and DCI will not be part of the scope of this evaluation.

### (B.3) How the objectives were to be achieved

<sup>6</sup> An average of 21% on average in the Western Balkans according to Enlargement Strategy 2014: COM(2014) 700 Final

<sup>7</sup> [http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

<sup>8</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52008DC0394&from=EN>

<sup>9</sup> [https://ec.europa.eu/europeaid/policies/european-development-policy/agenda-change\\_en](https://ec.europa.eu/europeaid/policies/european-development-policy/agenda-change_en)

<sup>10</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX%3A52014DC0263&qid=1400681732387&from=EN>

<sup>11</sup> [http://eacea.ec.europa.eu/tempus/documents/tempus\\_ipa.pdf](http://eacea.ec.europa.eu/tempus/documents/tempus_ipa.pdf)

<sup>12</sup> [http://ec.europa.eu/enlargement/news\\_corner/key-documents/index\\_en.htm?key\\_document=080126248ca659ce](http://ec.europa.eu/enlargement/news_corner/key-documents/index_en.htm?key_document=080126248ca659ce)

<sup>13</sup> [https://ec.europa.eu/europeaid/funding/funding-instruments-programming/funding-instruments/european-development-fund\\_en](https://ec.europa.eu/europeaid/funding/funding-instruments-programming/funding-instruments/european-development-fund_en)

<sup>14</sup> [https://ec.europa.eu/europeaid/how/finance/dci\\_en.htm\\_en](https://ec.europa.eu/europeaid/how/finance/dci_en.htm_en)

SME competitiveness and Private sector development (PSD) have encompassed a multitude of activities and crossed over a broad range of economic sectors.

Five key areas of Commission intervention are:

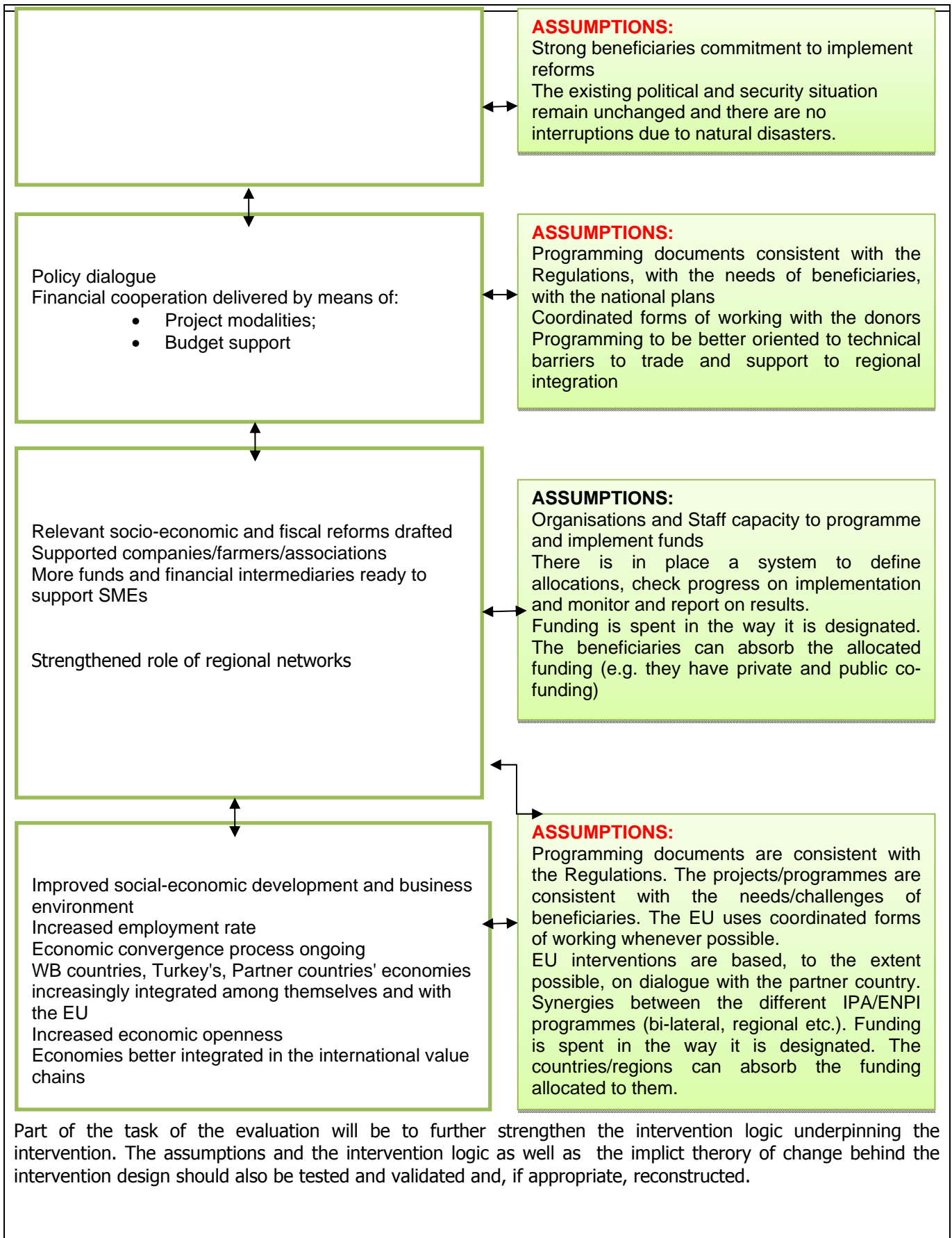
- Support to governments to improve the necessary regulatory framework, and institution building related to PSD;
- Investment and inter-enterprise co-operation promotion activities;
- Facilitation of investment financing and access to financial markets, in general;
- Support for small and medium-sized enterprises (SMEs) in the form of nonfinancial services;
- Support for micro-enterprises.

Key elements include:

- Support for MSMEs;
- Support for private sector representative organisations;
- Fostering partnerships and knowledge/technology transfer between enterprises to improve enterprise competitiveness;
- Improvement of labour skills;
- Increasing investment flows;
- Supporting institutional and regulatory reform and legal/tax frameworks, to enhance the business environment;
- Support for access to finance for enterprises and the fostering of a reliable banking system;
- Aid for restructuring and privatisation of firms.

The enlargement strategy 2013-14 proposed a new approach to help the enlargement countries tackle, among others, the economic fundamentals first and meet the economic criteria. Countries have been asked to strengthen their medium-term economic programmes, by putting more emphasis on the sustainability of their external position and on the main structural obstacles to growth, in line with Europe 2020 Strategy<sup>15</sup>. In addition, the countries were invited to enhance economic policy and its governance through the co-ordinated preparation and submission of an Economic Reform Programme (ERP), addressing both the overall macroeconomic policy and the sector reforms to also enhance competitiveness and growth perspectives, which addresses the most relevant issues that are in line with national priorities and jointly agreed recommendations. Moreover the development of the private sector is linked to a number of policy areas covered by the Western Balkans Investment Framework (WBIF)<sup>16</sup>, a blending financial instrument established in 2009, including enterprise policy, public administration reform and infrastructure development. In particular the Western Balkans Enterprise Development & Innovation Facility (EDIF) is a new EU-funded initiative aiming at improving access to finance for small and medium-sized enterprises in the Western Balkans, helping to develop the local economy as well as the regional venture capital markets. It promotes policy reforms aimed to improve SME access to credit through dedicated financial vehicles.

The EU's objective of developing a special relationship with its neighbouring countries, aiming to establish an area of prosperity and good neighbourliness is enshrined in Article 8 of the Treaty on European Union. The revised European Neighbourhood Policy (ENP), using all policy instruments at the EU's disposal, is the framework within which the EU works together with its partners. Key ENP objectives include increasing inclusive and sustainable development, progressive economic integration in the EU market through various bilateral agreements, notably Deep and Comprehensive Free Trade Areas (DCFTAs). A strong link needs to be ensured between the priorities of the bilateral and regional programmes and those of the Neighbourhood Investment Facility (NIF). The NIF notably promotes smart, sustainable and inclusive growth through support to small and medium sized enterprises, to the social sector, including human capital development, and to municipal infrastructure development.



**C. Scope of the evaluation/FC**  
(C.1) Topics covered

The evaluation is foreseen as a retrospective assessment to appreciate to which extent the challenges related to strengthening country competitiveness and enhance SME development have been addressed in the framework of past EU cooperation.

This evaluation will not only help evaluate the impact and outcome of IPA and ENPI funding along the criteria of the Better Regulation guidelines<sup>17</sup> (relevance, efficiency, effectiveness, coherence and EU value added) and two additional OECD-DAC criteria (impact and sustainability). It will also aim at providing guidance on how to improve programming and execution of the upcoming reform programs, with greatest focus on enhancing the policy dialogue and the ability to collect evidence for decision making and enhance the capacity in terms of thematic support, under the responsibility of the centre of thematic expertise dedicated to “economic governance”. Practices of Budget support operations related to reforms of the business environment and structural reforms in the neighbourhood regions will be explored in order to strengthen the quality of the evaluation findings.

Hence, the evaluation shall:

- Assess the performance of assistance according to the relevance, efficiency, effectiveness, impact, sustainability, coherence and EU value added of IPA and ENPI/ENI programmes that target competitiveness and growth both at the programming and at implementation level, looking at the good/bad practices in terms of the operation (the size of the projects, implementation modality, flexibility) as well as in terms of content (relevance of interventions, correctness of intervention, etc.).
- Assess relative performance/adequacy of the different aid delivery methods used in addressing the different dimensions of intervention.
- Assess ability of DG NEAR to coordinate its interventions with International Financial Institutions (namely, the European Investment Bank, the European Bank for Reconstruction and Development, the International Finance Corporation, the World Bank, Agence française de développement, etc.), International Organisations (the Organisation for Economic Co-operation and Development and others) as well as local Financial Intermediaries (including commercial banks and non-banking financial institutions). Best practices shall be identified and presented.
- Propose key areas in which future work is required.
- Assess coherence and complementarity between different modalities of intervention, policy dialogue and other policies/measures implemented by the EU or other partners in this area.
- Assess the approaches which work well within projects of SME competitiveness and PSD.
- Assess the used aid delivery methods.
- Assess the internationalisation process.

Based on the relevant findings, conclusions and lessons learned above, it will provide relevant operational and concrete recommendations for:

- The future programming of EU assistance falling under competitiveness and growth/support to Private Sector Development (PSD). It can provide good practices which can be recommended for upcoming assistance, and 'weaknesses' as 'negative' programming examples.
- The cooperation with other actors in the field of enterprise development and innovation facility.
- The key policy priorities within SME competitiveness and PSD sectors.
- Relevant practices on cross-cutting issues, such as environment & climate change and equal opportunities.
- Areas that do not require the involvement of EU assistance because they are well covered by other donors or require partial assistance to be coordinated with other donors present in the field;
- Improvement of the monitoring and evaluation frameworks, namely with regards to appropriate indicators.
- Strengthened thematic support on economic governance/competitiveness through DG NEAR centres of expertise.

## (C.2) Issues to be examined

Indicative evaluation questions:

### **Relevance:**

- To what extent is the EU intervention still relevant? To what extent have the (original) objectives proven to be appropriate for the intervention in question?
- How relevant is the EU assistance in view of the priority needs of the countries in the regions?
- How relevant where the different levels of intervention (macro, meso, micro), having regard to the needs assessment made and the modalities of intervention?

**Effectiveness:**

- How did EU assistance contribute to tangible improvements on the business environment and on supported companies? Alternatively how did it help narrow the gap between the beneficiary and the acquis?
- How did the assistance provided respond to the real needs, in terms of quality, timing and duration?
- How effectively had the priorities and needs of the beneficiary been translated into provisions of actual assistance?

**Efficiency:**

- How well did projects aim at enhancing competitiveness and Private Sector Development work together to reach the EU policy objectives?
- How can programming of support to SMEs projects be enhanced to achieve strategic objectives more effectively and efficiently?
- What was the most efficient approach in the various projects? And why was it better? How was the programming different vis-à-vis the other projects?

**Impact:**

- To what extent was the assistance to private enterprises or financial intermediary effective in job creation?
- To what extent was the assistance to innovative SMEs effective in achieving the desired results, namely on environmentally better products manufacturing, green technologies, energy-efficient building materials, energy and environment labelling products and services, intelligent heating and cooling systems and eco-friendly products? And what possibly hampered its achievement?
- To which extent will the EU assistance have an overall positive effect on the facilitation of the Enlargement process in the Western Balkans and Turkey and on promotion of smart, sustainable and inclusive growth through support to small and medium sized enterprises?
- Which are the appropriate SMART indicators that should be embedded in the upcoming projects?
- Are both genders equally affected by these projects? If not, why? If so, was this due to a specific element in programming or implementation?

**Sustainability:**

- To which extent are the outcomes of the EU assistance likely to continue producing effects after the end of EU funding?
- How can the programming of such assistance be enhanced to improve the impact and sustainability of financial assistance?
- To what extent are the beneficiaries with strategic/policy and management responsibility have and still are, demonstrating ownership of the results?
- Is there enough ownership over R&D and innovation activities? If so, how was this managed? If not, why?
- To what extent are the impacts sustainable and what further improvements are needed? What are the factors that hampered the impact and sustainability of the assistance?

**Coherence**

- To what extent is the EU assistance coherent with other interventions which have similar objectives? To what extent is EU assistance coherent with other action on the field, such as SMEs support in relevant areas of the EU programmes, namely the Seventh Framework Programme<sup>18</sup> and the EU's Competitiveness and Innovation Framework Programme<sup>19</sup>? Is EU assistance coherent?
- To which extent beneficiary and regional programmers were complementary and aligned with the enhancement of the Business Act?
- To what extent has the EU assistance enhanced the coherence and visibility of EU aid, and promoted innovative approaches?

**EU Added Value**

- What is the added value resulting from the EU interventions, compared to what could be achieved by the beneficiary countries at a more national and/or regional level without such interventions?
- Which areas do not require the involvement of EU assistance because they are well covered by other donors or require a partial assistance to be coordinated with other donors present in the field?
- As far as SME access to finance is concerned, what is the added value of the EU financing, compared to funds provided by IFIs and/or national financial institutions?

The evaluation questions may be further refined during the inception phase.

(C.3) Other tasks
As part of this assignment, the contractor will be asked to reconstruct the intervention logic of EU support provided for SME competitiveness/PSD and map the relevant EU interventions. The final evaluation questions and methodology for this assignment will be completed and agreed upon during the inception phase of the evaluation.

<b>D. Evidence base</b>
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(D.1) Evidence from monitoring
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IPA I/II and ENPI/ENI projects are subject to the results-oriented monitoring system (ROM). The ROM monitoring reports, as well as internal monitoring reports will be used by the evaluators during the Inception and Desk phases and to prepare the field missions.

(D.2) Previous evaluations and other reports
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The evaluation will take into account the following documents:

- Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth<sup>20</sup>
- Small Business Act<sup>21</sup> and related implementation assessments for the Western Balkan countries and Turkey, for Eastern Partnership countries as well as for the Southern Mediterranean countries covered by the ENP.
- DG ECFIN (EC) assessments – Economic and Fiscal Programmes/Pre-Accession Economic Programmes.
- World Bank –Regular regional Economic Reports
- Economic Reforms Programmes (for reference "Joint conclusions of the Economic and Financial Dialogue between the EU and the Western Balkans and Turkey"<sup>22</sup>)
- Progress reports<sup>23</sup> for enlargement countries
- Annual ENP packages.
- The policy framework for the European Neighbourhood Instrument
- The policy framework for the Western Balkans Enterprise Development & Innovation Facility (WB EDIF)
- Association Agreements (AAs) and Deep and Comprehensive Free Trade Areas (DCFTAs).
- Strategic evaluation of PSD interventions
- PSD capitalisation exercise
- Meta evaluation of budget support
- Third Interim evaluation of IPA assistance
- Evaluation of Trade Related Technical Assistance

(D.3) Evidence from assessing the implementation and application of legislation (complaints, infringement procedures)
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Not applicable

(D.4) Consultation
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The stakeholders for this evaluation include (this list of stakeholders will be further defined at a later stage):

National stakeholders include (non-exhaustive list):

- National IPA coordinators (NIPAC);
- Financial authorities, Relevant Ministries such as the Ministry of Finance, the Ministry of Economic Development, the Ministry for Innovation and Public Administration; Economic and Finance Committee of the Parliament;
- Central banks, the financial institutions and the National Statistical Offices
- Sector regulators, Competition and State aid authorities.
- Private sector representative institutions and think tanks
- Trade Promotion Agencies

International Stakeholders (non-exhaustive list):

- The World Bank
- International Finance Corporation (IFC)
- The European Central Bank (ECB)
- The European Investment Bank (EIB)
- The European Bank for Reconstruction and Development (EBRD)

- The Organisation for Economic Co-operation and Development (OECD)
- KfW Development Bank
- The Regional Cooperation Council (RCC)
- Civil Society Organisations (CSOs)
- Regional Cooperation Council
- Accelerate your Cooperation Project in the Mediterranean, ANIMA Investment Network

#### Stakeholder consultation

During the process of the evaluation, an outline strategy is as follows:

- Inception and desk phase - Documentation is reviewed and hypotheses are developed  
 During the Inception and Desk phases, the national stakeholders will be consulted via phone/email/face to face discussions. Use of interviews, surveys, questionnaires and other tools will be considered and decided upon during the inception phase. Comments/views will be taken on board from these stakeholders before the finalisation of the Inception and the Desk phase reports.
- Field phase - The evaluation team will consult key players in the region  
 During the Field phase several beneficiary countries will be visited by the evaluators. The evaluators will meet with the EU and national stakeholders relevant for IPA projects (from 2010-ongoing) and for ENPI (from 2010-ongoing), which (in)directly target Competitiveness and PSD, and also for Multicountry projects in the two regions.
- Final report - The report should address the evaluation specific objectives, provide a judgment of the performance of the EU assistance instruments and offer recommendations for policy creation.  
 A stakeholders' workshop/s will be held towards the end of the field phase before the elaboration of the Draft Final report to discuss the findings and preliminary recommendations;  
 The Draft Final report will be sent for comments to the stakeholders listed above before its finalisation.
- Dissemination - Key stakeholders and wider audience  
 Dissemination seminars/conferences will be held in Brussels/Western Balkans region/ENI regions once the evaluation has been completed.

This outline will be further developed with the evaluation team in the early stages of the evaluation

#### **D. Other relevant information/ remarks**

This thematic evaluation will feed other major evaluations like the one on Economic governance and the mid-term review of ENI and IPA II.  
 The evaluation findings and recommendations will feed into the mid-term review of the Union's instruments for financing external actions (IPA II and ENI) to be finalised by December 2017<sup>24</sup>.